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Anatomy of Collective & Bargaining Process: A Case Study of Steel Mesh Manufacturing Organization in Sri Lanka

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Abstract

The collective and bargaining process has become a passion in today's context between employers and employee's trade unions in resolving employee's related concerns. Both parties do not willing to lose as both are strong in power. Hence collective and bargaining process tends to conclude with a win-win situation as an integrative solution. The anatomy explored many anthropological scenarios and it unveils facts of contribution and impact to the organizational growth when having collective bargaining agreements. The case study explored the inside story of the collective bargaining process associated to the study conducted in a steel mesh manufacturing organization in Sri Lanka. The main concern on having collective bargaining agreements was to adjust the salaries par to the country inflation. Thus two types of increases had been practiced by the organization for signing agreements during last two decades. The study discussed advantages and disadvantages of two methods of salary increases in previous seven collective and bargaining agreements. The application of the best suitable method to increase salaries of employees is to be selected after a proper study, depending on economic and social factors. The integrative approach of collective bargaining gives a win-win solution; however, it takes a long period for the best solution. That makes a huge loss to the organization by creating various disciplinary issues, disrupting industrial harmony.

Key words: Collective and Bargaining Agreement; Integrative Bargaining process.

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1. Background of the revolution

24th August 2015 was a remarkable day that enabled to dissolve trade union making end to the collective and bargaining agreement after 20 years of hectic period. In October 2014, the existing trade union of the company forwarded a letter of demand requesting to start a bargaining process for the next three years commencing from year 2015. The letter was accepted by the management optimistically to commence the negotiations. The first demand was to increase the salaries of all employees by 70%. The management totally disagreed since it was exorbitant demand. The organization handled the situation chronologically to obtain the best solution having several bargaining sessions with trade union over a period of ten months without incurring losses to the performance. In this instance the management acted intelligently and safely concern on business and employees. Hence it was able to dissolve the trade union after a period of ten months. Collective bargaining process is somewhat complex and usually it takes a considerable time for having a win-win conclusion. The events follows a legitimate process imposed by department of labour in Sri Lanka. There are four parties involved in Collective and bargaining process namely employer, employee, parent union and Employer Federation of Ceylon usually. Finally the-seventh collective bargaining agreement could not be signed as expected by the trade union.

Collective bargain process has become a passion in today's context between trade unions and industries in solving employee related issues. Employer and employees are not willing to take step back as they are strong in power. Hence collective bargaining process concludes with win -win situation as integrative solution. In many occasions it took a long processing period to come to a conclusion. Collective bargaining process is a formal process of agreement involved by two parties. The political influences dominate in taking decisions and mislead employees in the most manufacturing organizations. Hence the industrialists have no option other than slowing, stopping production or hold investments in temporally as management responsibility until solving the matter. In other way the proactive and civilization of management gives many opportunities to handle the issues related to process and employees.

2. Organization history

The study was conducted in a company manufacturing steel wire mesh in Sri Lanka. The company had a history of 50 years excellence as a mesh manufacturer in Sri Lanka. The organization was started with few workers and later expanded it to 200 employees over the period of 50 years. It was categorized under medium scale organization. The startup involved with entrepreneurial environment later management system was mixed up with entrepreneurship and intrapreneurship. The startup was always chaotic and stressful. While the organization was slightly picking up the market with products evolvment, issues of Human Resources were also grownup. Organization expanded employee base with capacity augmentation. The increase of permanent labour force in the organization was a good go for the parent union. With external political intervention the employees started a trade union called Sri Lanka freedom General workers Union in 1994 with around 80% of work force in the organization. The era in 90s was a booming period of industries with the open economy. Similarly trade unions too started expanding their strengths within the industries in Sri Lanka. The influence of the political parties was highly observed at that time. A lot of industries popped up in this period as well. The minimum employee participation to form a trade union is 7 as per the legal regulation. Since it fulfilled the legal

requirement the organization was compelled to accept the union. That was the start up of union forbear and entrepreneurs felt retardation on investment and operation of their own business.

3. What is labour union?

Trade union is an organization made up of members (a membership based organization) and its membership must be made up mainly of workers. One of the major objectives of a trade union is to protect and advance interest of its members in the work place. Most of trade unions are independent of any employers. However it is prudent the trade unions has to build up a close working relationship with the employer. Following are the objectives of a trade union.

- Negotiate agreements with employers on pay and conditions.
- Discuss major changes to the workplace such as large scale redundancy
- Discuss members' concerns with employers
- Accompany members in disciplinary and grievance meetings
- Provide members with legal and financial advice.

Employee participation mechanism in Sri Lanka: Employees participation mechanisms of Sri Lanka are based on a framework of legislation [7]. The First event is the formal registration of the trade union and after other process of recognizing as bargaining agent under Trade Union Ordinance (TUO) of No 14 of 1935.

4. Hierarchy of Needs

According to Maslow need hierarchy theory: a person initially looks for basic needs as physiological needs and after safety needs. In order to fulfill the requirement in first part a person seeks an employment where the basic needs would be fulfilled. Then person seeks safety needs. In order to secure his employment the person expects the confirmation. Psychological needs are the next step consists of belongingness and esteem needs. Then the person intends to have an association and recognition. Then the person tends to have some sort of team effect with cohesive power having with colleges within the organization. Social needs include belonging to a group, affiliating with people, giving and receiving love. Managers can contribute to satisfy social needs by promoting team performance in this stage. Some for the team performances are Quality Circles (QC), Total Productive Maintenance (TPM) etc. It is responsibility of the management to be alert on behavior of employee and take necessary remedial actions on time inline what studies in theories as professionals. Self-esteem need include self-confidence, recognition, and appreciation. Self-esteem regulates by giving feedback, parsing for work done etc. Self-actualization is the top part of the hierarchy.

5. Integrative bargaining process

The first collective and bargaining agreement was signed in February 1996 between the company and the trade union "Sri Lanka Freedom general workers" for several demands including salary revisions for next two years. Negotiations were started in February 1995 and that ended up after twelve months. That was a tough period for the company as well as to all employees. Both parties expected a win-win situation therefore integrative

bargaining method also known as interest-based bargaining was adhered. Trade unions started pressurizing gradually using techniques such as go slow, refrain from overtime and finally tend to set up a strike. Production became stand still for a period of one month until the situation becomes settled. Both parties were strong; therefore no one wanted to lose. Company had authority, financial backup, autocratic power, similarly trade unions had synergy effect, expert power etc. Many discussions were held during the period under tense situation of both parties. That spoiled relationships between organization and trade union which mostly made revenging attitudes among members in management and trade union. Team spirit made different sub teams and those groups started to behave radical and aggressive manner resulting harassments and sabotage. Eventually eight employees were terminated at the time of signing the agreement after prosecution of legal actions. Integrative bargaining approach made to solve the issue incurring huge losses to the business, company as well as to the employees in the organization at the time of signing first agreement. Integrative bargaining satisfy both parties there as after settling both parties employer and employee worked together without any personal grudges. Finally the organization agreed for 30% salary increase and Rs 150 increase for year 1997 followed by adjusting night allowance, attendance allowance etc.

Table 1: Summary of collective bargaining agreement- 1996 to 2015

| | Year | Demand status | Negotiation period |
|----------|-------------|--|--|
| 1 | 1996 | Five demands, four financial, one non financial. 30% salary increase. | Twelve months stating from February 1995. |
| 2 | 1999 | Sixteen demands, eight financial, eight non financial. 30% salary increase. | Four month Starting October 1998. |
| 3 | 2002 | Eleven Demand including, six financial & five non financial 65% salary increase. | Two months starting from month of February 2011. |
| 4 | 2004 | Ten Demands, four financial & six non-financial. | Seven months starting from February 2004. |
| 5 | 2009 | Salary, nine demands including salary, Saturday half day leave | Six months starting March 2008. |
| 6 | 2011 | Four demands, all related to financial. | Two months starting from February 2011. |
| 7 | 2015 | 70% Salary increase with nine demands. | Ten months & dissolved union. |

Source -Author surveyor.

Collective bargaining agreements were signed mainly concern on salary increases as to compensate the country inflation which was fluctuating frequently upward trend annually. Inflation rate normally fluctuates between 5 to 10 percent annually. Cost of living was the adjustment introduced by government to manage in previous occasion and later private sector was not adhered to practice it. Hence salaries of employees were increased on basis of percentages under collective and bargaining agreement. Two types of increases have been used in practice for signing agreements that are lump sum and percentage. There are advantages and disadvantages in

both methods while making a heavy impact to the cost of production on annual basis.

Period of first agreement was lapsed in 1997 and re-signing the second agreement was in 1998. First CBA was signed for two years 1996 and 1998 and next was expected for three years period depicted in letter dated 16th October 1998. The sixteen demands including improvement in general work conditions and requirements. Some of them were, free snack for shift, short leave, a separate notice board for union, leave quota in addition to financial requirements. This situation was not easy to manage and there were many non solved issues such as 30% increase in salary, annual bonus, distress loan etc. Management offered Rs75. as an increase but union did not agree to that. In return union had replied Rs900 for each next three years as calculating 30% increase that was rejected by the management. Finally 8th January 1999 the collective bargaining agreement was signed covering all sixteen demands for next three years. Agreed increases were Rs375 for the year 1999, Rs75 for the year 2000 and Rs75 for the year 2001. During this period there were many acts of sabotage, go slow and misconducts, harassments etc. The environment becomes radical and therefore many occasions' police was called upon to control riots. Members who were not in trade union were harassed and threatened in bad ways.

6. Consequences of collective bargaining agreements

The six CBAs had been signed during the period 1994 to 2012 after the process of collective bargaining between the organization and trade unions. All the increases were based on percentages equivalent to country inflation. The country inflation: [6] fluctuated from 0% to 25% in last thirty years in Sri Lanka. When all the employees are in same salary scale and same no of years of experiences, they got equal increases throughout. When salary scales changed with new recruitments, salary increases changed to different amount resulting unfulfilling the gap of inflation for all employees. High salaried employees got more salary increases and low salary scale employees got low increases. That made different rate of change from employee to employee and salary scale gap become large comparatively over a period. The effect of setoff of inflation was not materialized with percentage increase. The legal advices given in 1995 when signing the first CBA was used percentage and that was accepted by the trade union. Then latter CBAs also has considered the same increases until 2010. That had made a huge anomaly among employees recruited recent years. Salary increases of new employees had all time low salary that did not match the inflation fluctuation. The employees of high experience were adamant on percentage increase. The organization had an issue of high rate of labour turn over of newly recruited workers due to this issue and there was no option other than revising starting salary of all employees. The management was in a state of confusion to get rid of this issue with minimum effect of loss of economic and social capital.

The government revised the minimum salaries in two occasions during the period of 2012 to 2013. Both occasions the minimum salary of recent recruitments was lower than the minimum salary published by the government in the gazette. Therefore in order to match that the organization was compelled to revise salaries of all employees considering industrial peace. In 2013 that was added to the salary as a special increase. EFP and ETF were deducted from the increase. This issue was significantly highlighted at high rate of labour turnover during the period of 2010 to 2015. The factory was located in an industrial zone. There were many opportunities prevailed around. That made a high demand for employment in another way.

In 2001 the organization obtained the membership at Employee's Federation of Ceylon where they extended the services for legal matters. EFC involved as third party legal advisor on behalf of employer for the process of negotiations after 2001. Third re - signing of CBA for the period of 2001 to 2004 was done in the year 2001. Trade union Sri Lanka Freedom General Workers Union forwarded eleven demands including four financial related by letter dated 13th February 2001. Increase expected was 65% and other demands were not serious as previous. The organization had many negotiations as usual for the period of two months with third party intervention of EFC. Salaries of employees were increased by Rs900 for the first year 2001 and second year by Rs150 for year 2002 and Rs250 for third year 2003. In year 2001 a 15% salary increase had been given as an extra revision in order to match the market level due to abnormal increase in inflation. Inflation during the period of 2001 to 2004 had been fluctuating between 5 to 15% as per the past data of published by the Central Bank of Sri Lanka.

In year 2004 the supportive political party was changed by the employees. Booming political party of "**Janatha Vimukthi Peramuna**" backed to the Intercompany Employee's Union for all the issues related to labour disputes. A nominated personal's intervention was from the parent union for each segment of the industries over the country as opinion leaders. Members always followed the opinion and direction given by the parent union. Membership was above 60% of total workforce and key members were elected at the annual general meeting with coordination of the parent union. The period 2000 to 2010 mesh market started booming with many projects such as high ways, new industrial zones, other constructions etc. Many new products evolved and capacity expanded as well. Similarly increase in labour force with facilities expanded.

The period in January 2005 the next fourth bargaining process for resigning collective agreement started. Fourth bargaining was not smooth and it took again long period with two and half month strike. Management was in deep trouble due to confirmation of delivery a special order to Sri Lankan Navy. Few machinery had to be shifted to a location with the help of Sri Lankan Navy for manufacturing that special order to deliver on time. Raw material shipment was diverted to the same location and the order was completed on time. The case was forwarded to an arbitrator by the Commissioner of Labour for resolving. The arbitrator was a retired labour commissioner with a vast experience. After having tough negotiation it was able to come to a conclusion of addressing ten issues related to industrial dispute. In August 2004 the CBA was signed and sent for publication on the gazette. It was agreed to increase Rs750 for the period of 2004/05, Rs1000 for 2005/2006 and Rs750 for 2006/2007. In parallel to that attendance bonus, night allowance, skill grading were revised. 17 employees had been identified those who involved in sabotage misconduct at the intimidation. The trade union accepted those misbehaviors and agreed to take disciplinary action against them with the agreement. The union has been strongly advised not to involve any kind of misconduct and breaching agreements strikes without prior notice to the organization in any kind of issues. Also that has been addressed in the issue resolving process, if an issue aroused that had to be discussed in house and if no solution was given that will forward to parent union and if no solution was given that would be forwarded to Commissioner of Labour.

With prevailing situation in booming industries and technologies in period 2005 to 2008, serious demands related to employees were created. The main demand was from the technical staff. A difficulty aroused to recruit skill technicians for maintenance works. Therefore the organization was compelled to revise the salaries of

technicians by Rs 3000 to Rs 3500. Subsequently that led up to another two and half months strike. The strike was had while collective agreement was active. In other way it was a "breaching of legal proceeding".

Quoting the salary increase of technical staff, trade union "Intercompany Employee Union" forwarded a letter in July 2006 demanding a salary revision before ending the agreement signed in 2005. Also they demanded to consider Saturday as a half day work. That was rejected by the management. Afterward there were few discussions to solve the same but a settlement could not be reached. Apart to salary increase their main issue was to have a solution for working Saturday. The matter was forward to Labour department for advice and they had confirmed that the leave on short working day should be regarded as a day's leave. Rejecting the decision given by the management, the union in turned informed the management that action of boycott of overtime by the letter dated in February 2008. Further it was happened few sabotages inside the factory. With these incidents management was compelled to take disciplinary action against the employees who acted of misconduct behavior. Finally disciplinary action was taken to suspend five employees due to unsatisfactory background and also complaints made by some workers of threats and intimidations. EFC further confirmed on the issue of working on Saturday as per the legal fulfillment according to the wages board. In all cases 3 to 4 discussions been held with management but all were ended up unsuccessfully. Trade union started their demands from highest level and in contrast the management offered their proposal from the lowest level, therefore most discussions ended with no conclusion. Finally in March 2007 the discussions ended with increase of 15% for 2007 and 7.5% increase for each year 2008 and 2009. In addition to salaries the both parties agreed a seniority payment, attendance bonus, night allowance, annual leave, leave on short working day, day payment of wages and disciplinary procedures etc. The issue created on short working day was settled as per the advice given by Department of Labour according to the wages board. This time it had been advanced, signing of CBA which was done in March 2006 validating until 2009 March 31st. It was agreed to pay arrears salary increase for the period of January and February.

7. Role of Employer's Federation Ceylon

There are two main issues directly affected the industry performance in Sri Lanka in current status. One is scarcity of skilled labour. The other is empowerment of labour unions that makes a pessimistic roll for investments. Organizations are willing to invest more but no guarantee on return on investments. Before 1980 employees had trade unions and employers did not have any supportive party to get advices on labour issues and appear cases systematically. As identifying the issue the Employer Federation of Ceylon was expanded their services and started supporting for all human resources related issues on behalf of employers. After 1980 with that encouragement the employers were able to mitigate the risk on investments.

The Employers Federation of Ceylon appeared on behalf of their registered companies for solving human resource issues such as negotiations, implementation of memorandum of settlement. Following table depict that no of CBAs signed during last 9 years. That highlighted a peak in year 2007/2008 as 51 agreements and after a sudden drop in 2015/16 to 29, refers to the records published in annual report of Employer Federation of Ceylon.

Table 2: Collective agreements signed by EFC - 2004 to 2007

| Year | No of CBAs signed | Year | No of CBAs signed |
|------|-------------------|---------|-------------------|
| 2004 | 51 | 2012/13 | 37 |
| 2005 | 35 | 2013/14 | 41 |
| 2006 | 48 | 2014/15 | 55 |
| 2007 | 51 | 2015/16 | 29 |

Source- [1, 2, 3, 4, 5,]

Employer federation was established in 1980 with the intention of supporting employers with consultation, advisory, training etc. There are more than 600 members registered on permanent basis. EFC directly intervene for collective bargaining process similar to parent union on behalf of employer. Looking previous records there is increasing trend in registering members in EFC. In addition to the legal support EFC conducts industrial research as well, which extremely helpful for managing people for the organizations. After obtaining membership in 2005 all legal advises related to maintaining industrial peace was obtained from EFC. An increasing trend is visible in obtaining membership from EFC as per the records published which is depicted as in Fig 1. Before the year 2001, the organization was getting legal advices from retired experience labor commissioners whose were working as consultants. However the management felt that it was not so sound enough to face this kind of conflicts and no back up support were received at critical situations. It was experienced that some of the decisions taken in past were failed and incurred huge losses to the organization. During the period of 2001 the managing director of the organization had come to know that there was an institute called Employer federation of Ceylon where they provide legal advices and supports to the industry. Then the mesh manufacturing organization too becomes a member of Employer's Federation of Ceylon in 2005. After that, EFC's advises were highly contributed for all the labour related issues.

**Figure 1:** Members registered in Employer's Federation of Ceylon

Source: [2,3,4,5] .

8. Legal provisions on union registration

Sri Lanka ratified ILO convention on right to organize collective bargaining agreement in 1947 (Act No 98) in 1978. Trade union ordinance 1935 provided protection to resisted union made bargaining legally. In 1999 the right to collectively bargaining was strengthened after making it mandatory to bargain with unions which had 40% membership. Also the amendment introduced a list of unfair labour practices by employers. The industrial dispute act state that collective bargaining agreement may be tendered to the Commissioner of Labour by a party and Commissioner of labour shall forthwith the same to publish in a gazette. Prior to publish Commissioner has to satisfy himself that terms thereof are not less favorable than those applicable to other workers as same or similar to industry in such district.

Collective agreement could be repudiated by a party by a notice which is also informed to the Commissioner of Labour. The agreement would be ceased at the effect of the month indicated in the agreement. If any party breaches the agreement it's an offence but prosecution can be launched only by the commissioner or with his permission.

9. The last collective agreement

The last collective agreement was signed by the organization with ICEU in 2010. The process took long period as similar in previous. The process of bargaining started in March 2010 and was completed in August 2010. Similar in previous CBA, 20% increase had been agreed by both parties for 2010 and 7.5% or minimum Rs 1300 for other two years 2011 and 2012. The agreement was schedule to effect in April 2010 and all the outstanding were paid to all employees. There were no significant related incidents occurred this time. This was the only agreement signed with a harmony. In addition to that the organization was revised all the allowances such of night allowance, annual grading and attendance bonus. CBA in most occasions confined to all financial related terms and for a period of three to five years. That would be one way a tiny relaxation for the management to plan their work. In other way, another responsibility was to manage financial targets with the increased cost of production and high prevailing competition.

Signing of CBA ended with last agreement signed in 2010 for another three years. The next scheduled year for signing CBA was in 2013 due to not having sufficient membership the trade union was not active at all. Since there were no positive response from the trade union the organization decided to grant an increase of 15% salary for the year 2013 by advancing the increase with effect of January as a proactive measure. There was no objection from employees.

The government had announced a salary revision of minimum wages in 2009 and October 2012. After that again it was revised in 2013 due to a high scarcity of skilled technical personnel. The organization had been governed under engineering trade under wages board act 1947. The highest minimum wage was defined for this category by the Department of Labour due to highest demand. The increase in 2009 was made as a separate payment for all employees. Total salary was revised in 2013 including all the revisions made by the government in 2012 for the increase in 2013. The most demanded segment in labour category is engineering due to lack of required

craftsmen in Sri Lanka.

Even though the trade union was inactive during the period 2012 to 2014, a few key personnel was vigilant with the intention of reorganizing the union. The fire was inside the ash and weaken strength of leadership submerged it. In a way organization took proactive decision again in 2014 by increasing 10% salary increase for all operatives and that also showed positive responses. The members of trade union were very silent and calm during the period 2012 to 2014 of two years. Membership dropped to below 40% and no valid CBA or check off agreement between parties. Therefore EFC advised to take action to repudiate the union and stopped payment of monthly subscription as a measure of none recognizing the trade union. That triggered the reformation of trade union back reason being feeling unsafe loneliness among remained members of the union without parent union. Also they thought that what they paid as subscription over the period would be in vain with no return. Employer federation sent a letter to Commissioner of Labour informing the repudiation of membership of trade union in April 2014.

10. Beginning of seventh revolutions

The period of 2007 to 2012 the company had a flat growth rate also weak strength and leadership of branch union. The union act was lethargic and silent. The repudiation of membership made a jolt to branch union. A letter informing a formation of trade union was received in February 2014. Since the Membership was more than 40% of employees, the management of the industry was compelled to re-recognize the trade union. A check off agreement was signed in April 2014 and afterword all employee related issues were discussed with participation of trade union. There were lots of demands put forwarded by the trade union to the organization through their parent union. All correspondents had done by two intermediate parties of parent union and EFC. The check off agreement mainly included on conditions of membership validity, subscription payment, dispute procedure and negotiations etc. If one of the party breach conditions that would be a legal offence to take action. The condition clearly mentioned *"if after conciliation has failed in the Labour Department, the union wishes to take trade union action, written notice should be given of not less than 14 days to the employer and to the EFC"*. After reforming the union on 12th October the first general meeting was held in factory premises for selecting the office bears.

The company had considerable increase in growth in year 2014. Company was able to get more market share, quality standard SLSI, ISO 9001 2008, and drastic change on productivity and cost reduction, energy efficiency. Along with that salaries of employees were increase by 25% within two occasions. Apart from that monthly production incentives was revised and increased welfare facilities too. A new rewarding scheme for suggestions was introduced; working conditions was uplifted by changing layout and having more comfortable stations. Started preventive program and upgraded condition of the machinery using advance technology which made temptation of further salary increase to the trade union members.

Labour union was also waked up and started their activities reforming the branch union in 2014 with the backing of Inter Company Employee's Union. Management very carefully observed and strategically handled the issues with a keen objective of eliminating the hindrance of future. Union forwarded a demand to

management in October 2014 requesting an increase of 70% salary for next three years. The company was not affording to agree for the proposal. Therefore negotiations were dragged for a long period of ten months without a solution.

In latter 2014 the government announced a salary increase of Rs2500 for private institutions. That made to stand still the discussion temporally until it solved. But trade union was impatient and complained to Commissioner of Labour requesting to intervene to solve the matter. The effort made was not successful as expected due reply was sent by EFC by explaining the current situation. It was gazette to pay Rs1500 in 2015 to all employees in private institutions by the government and add the balance Rs.1000 in 2016.

The organization had a strong position of offering lump sum for all employees after studying the issues prevailing. The lump sum proposal was offered to the trade union from the inception. But they were strongly on percentage method. However parent union had positive feeling on accepting the lump sum amount throughout unlike members. When the discussions were at peak branch union had a feeling that the demand can be won by disrupting the production as usual, which would badly affect the revenue. All the discussions had with parent union and branch union were failed without solution. Management proposed Rs 2250 for next three years at the final discussion but trade union rejected it. Time permitted a solution favoring to the organization finally. Finally the trade union launch a strike on 24th August 2015 for inappropriate matter. The management was maximized the opportunity and got rid of the trade union legitimately.

11. Financial constrain of collective and bargain agreement

Despite collective bargaining process to solve the issues related to the industry, it made considerable impact to the financial status of the organization. That directly increased the cost of production. Industry was always act under stress with high market competition due to various factors such of low cost inferior products, substitutes etc. Industries fight for reducing cost of production in continuous basis by implementing different type of strategies. The organization also suffered in great difficulties to cater the increase of cost of production in this situation at growing stage. There was no way to increase the price of the products with high competition. In some occasions investments were put on hold due to never ending trade union issues. There are no options other than finding strategies to reduce cost of production. But the organization never reduces quality of the product under any circumstances.

There is a separate legislation for minimum wages in Sri Lankan industries under wages board ordinance Act No 27 of 1941 as amended up to No 36 of 1982. At present 44 wages board categories have been set up for the trades. The organization was under category of engineering trade although it handled manufacturing. There were few revisions made for minimum wages, the recent was in December 2013. The act has worked out an annual increase for all the private industries. The industry which does not have collective bargaining agreement practice increases introduced by the department of labour, some industry even with having collective bargaining agreement still practices both increases. Some of the organization confined only to the CBA increases.

Employees have a responsibility to look after the employer, the employer has a responsibility to look after

employees. The organization had undertaken that responsibility during the period of 2000 to 2005 at the time making a considerable financial loss. All the employees were paid their salaries and all the perks on time as under normal environment. Annual bonus too was paid for all employees who were entitled. In most occasions the trade union had exert a pressure to the organization by demanding various requirements and issues over the period of last 25 years and finally ended up with strikes with huge impact to the inflow of the company where they earn to live. The leaders and back up parent unions are responsible for their members' life. At failures none of the leaders nor parent union take care of future of the employees which had happened in incident 2015.

Table 3: Annual expenditure on increase of salaries

| Year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Salary | | | | | | | | |
| Increase % | 20% | 7.5% | 7.5% | 20% | 7.5% | 7.5% | 15% | 10% |
| Total Exp. (million) | 2.683 | 1.207 | 1.298 | 3.721 | 1.674 | 1.800 | 3.871 | 4.510 |

Source: Author surveyor

In year 2010, the organization was planning to expand their product portfolio by adding Gabion mesh which had a booming trend in construction sector. Therefore management took a decision to change the location by investing for a new land within an industrial zone expecting a better environment and industrial peace. The effort enhanced production capacity by having competitive advantage and change affected harmony of the membership too. Company provided transport for operatives who came from the previous area. New people were recruited from the new area to achieve expected expanded capacity. The all operatives who were engaged in production were males and there was an understanding that this type of operation cannot be done by females from the inception. Therefore the management never thought of recruiting females for the production process. There were adequate labours in the new area and applications were flowing and piled up in period of 2008 to 2010.

12. Retardation of union activity

The products are mostly related to hardware industry. Manufacturing process was most related to steel wire therefore it was bit tough in handling. Assuming that difficulty, only male operatives were allocated to the machinery. In fact the top management wanted to recruit female workers but the middle management was reluctant due to inadequate of facilities. When all males were in a work place it makes radical and tough culture within the organization. The clear example indicated here the behavior observed in night shift, most of the machine operators were without top part of the uniform. The weaknesses of the unionized employees were seriously identified and categorized by management during the period of 2012 to 2014. But there was no intension to weed out all of them but tried hard to develop them and made use the cohesiveness for betterment of the company.

After observing the environment, company started launching strategies one by one. In early 2013 started recruiting female workers after setting up all necessary facilities. Initially recruited 15 female workers with ordinary level qualification and trained them to operate wire mesh machinery. They grabbed the technique and continued production better than males. Productivity and quality of products were far better than expected and discipline well controlled and it made a threat to trade union activities. Females are always risk averse therefore they had no interest to joint to the trade union and as a result conflicts started between two parties. Recruited more female workers and started training welded mesh manufacturing machinery. As intention of reducing strength of union membership hired labour from an outside contractor. The Whole section of Gabion production was operated with hired workers except knitting machine. Hiring labours were cost effective too as one major fact of reducing cost of production. Those hired labour was used as helpers and not for the core functions. Union was becoming handicap with the new arrangements of the company. In parallel to that the management organized few group discussions with machine operators in order to revise production incentive. As a result it was able to achieve the ever highest wire mesh production in June 2015.

13. Discussion & Conclusion

The anatomy of collective and bargaining agreement disclose many avenues on thinking further mostly in business environment. There are many factors contributed on having CBAs in local industries. Both parties' employer and employee has to think and understand of their accountabilities and responsibilities. Humans are considered as resources in modern management. Organizations take proactive rapid measures solving issues especially on human related. Concern to literacy level the older crowd has a very low level of qualifications in the organization but new generation has far better level of education. That reflects on effective decision making. Organization should work proactively with employees with having close relationships. The organization had started Quality circle projects to address issues prevailing in the operation in 2015 which was most successful to have better relationship and maintaining dynamism throughout. Many annual events were organized to break monotonous life of working. Rewards and recognition enhanced the motivation.

There is no other solution than having collective bargaining as solution in a unionized environment. Integrating bargaining principle follows where to have a win-win situation by both parties' employer and employee. There are advantages and disadvantages in both types of methods of salary increases for both parties. The organization practiced a mix type. The lump sum increase was used until re-signing the agreement in 2004 and percentage increase was used after 2006 to 2014. The year 2015 onward, the organization started practicing lump sum increase. The annual salary revisions are done to compensate cost of living to manage the inflation. Lump sum salary increases make equal increase for all employees that make positive impact on retention of employees which has become one of major issue to the organization during the period of 2012 to 2015. Referring minimum wage of wages board ordinance minimum salary was Rs.12, 500 but the organization pays Rs17500 as starting salary for a new labour in addition to the other benefits.

Many industries have-introduced Joint Consultancy Councils (JCC) with the involvement of labour office from government as third party instead of parent unions. In an annual general meeting, employees have rights to nominate a suitable employee representative among all employees. JCC has no political background that was

purely handled with advices of organization and labour department. JCC has a good relationship with the management. CEO of the organizations mostly involved to annual general meeting and all other sub meetings are conducted by human resource manager and relevant department heads. In older passion of trade unions which yet exist around 60 % are influenced by political backing.

The political influence is the main hindrance to convert the trade unions into productive. The synergy effect can be utilized on improving productivity of the process. Trade union should concentrate more on improving process efficiencies. The increase of salary should be shared with production output or capabilities. There were 20 million increased in direct labour cost in addition to price fluctuation of raw materials. That was only on collective and bargaining agreement had over the period of 2007 to 2014. Price of products could not be increased with high competition in the market; therefore the increase had to be compensated with process efficiency for survival.

The management has to take radical and painful business decision giving priority to shareholders. Shareholders are important to invest if no investment no employment which disrupt the country economy. More investment needed to strength the country economy therefore making trouble on petty thing should not be encouraged. All employees in an organization had to render their services to keep company growing in highly competitive market with continuous inflows of substitutes. The organization had severe impact on increase of cost and loss of production during the period of bargain. In addition to that there were losses of valuable machine parts by act of sabotage. Therefore anatomy of collective bargaining agreement illustrate clearly by this case study. Further it would enhance the stock of knowledge to manage industry peaceful and economical.

14. Propositions for the future research work

The study conducted to investigate inside of the collective and bargaining agreement in manufacturing industry in Sri Lanka. The following proposition proposed for the future researches.

P1 : A legal theory: a legal theory is important, only if solution to the particular problem can be derived from it [7]. The Collective & Bargaining Agreement is cyclic process and that has exponential increase pattern. The implications have positive and negative effects to the organizational growth in a highly competitive environment. The Chamberlain Model focuses on upon the determinants of bargaining power. Some of the salient features identified in Chamberlain model are perceive disagreement, bargaining power, misjudgments, compromise offers coercive tactics, economic environment etc.

P2 : The Theory of Bargaining [8] described economic aspect of raise wages rate for all eager to earn wages rate. It has critically analyzed the arguments and indicated that the unionism can raise the wages rate above the market level without harming to anybody.

P3 : The author [9] explained on integrative bargaining (Interest base bargaining or win-win bargaining) as a negotiation strategy in which parties collaborate to find solution to their disputes. This strategy involve on developing mutual beneficial agreement based on interest of disputants. Integrative bargaining produce more satisfactory solutions for parties involved than positional bargaining.

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